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Message Text

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70
ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PA-04 USIA-15

PRS-01 DRC-01 /123 W
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TO SECSTATE WASHDC 3707
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION EC BRUSSELS
AMCONSUL MILAN
AMCONSUL NAPLES

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E.O. 11652 N/A
TAGS: ELAB, IT
SUBJECT: GOI SETTLES FIAT LABOR DISPUTE

1. SUMMARY. FIAT AND METAL UNIONS REACHED AGREEMENT ON NEW CONTRACT MARCH 8 FOLLOWING INTERVENTION LABOR MINISTER BERTOLDI. ACCORD MEETING MOST UNION DEMANDS PROVIDES FOR SUBSTANTIAL WAGE IMPROVEMENTS,

JOB CREATING INVESTMENT IN SOUTH, INNOVATIVE SOCIAL INVESTMENTS, AND MEASURES AFFECTING JOB SATISFACTION AND WORK ORGANIZATION. POLITICALLY DETERMINED SETTLEMENT SHOULD PROVIDE PATTERN FOR OTHER OUTSTANDING CONTRACTS. BURDENSOME COSTS ACCEPTED AS PRICE OF SOCIAL PEACE. END SUMMARY.

2. IN WHAT IS CONSIDERED A PROTOTYPE FOR COMPANY LEVEL LABOR CONTRACTS, FIAT AND THE METALWORKER UNIONS REACHED SETTLEMENT MARCH 8
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FOLLOWING THE ACTIVE INVOLVEMENT OF LABOR MINISTER BERTOLDI. MAIN

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POINTS IN THE AGREEMENT CONVERING FIAT'S 200,000 EMPLOYEES ARE THE FOLLOWING:

3. A. SALARY INCREASE - 18,000/MO (US$27.70 AT 650-$1) EQUAL FOR ALL. IN ADDITION, THE DAILY LUNCH WILL COST 200 LIRE LESS, THERBY MEETING UNION DEMANDS FOR A "POLITICAL PRICE." A FULL MEAL WILL COST 350 LIRE OR ABOUT US$.50. WITH MEAL PROVISION MONETARY PACK-AGE EXCEEDS 22,000 LIRE/MO., A TOTAL WHICH APPROXIMATES MAXIMUM UNION DEMANDS.

B. INVESTMENT POLICY - ACCORD PROVIDES FOR NEW INVESTMENT IN THE SOUTH AND THE CREATION OF 8,500 NEW JOBS PRIMARILY FOR THE CON-STRUCTION OF PUBLIC TRANSPORT VEHICLES (BUS AND RAIL). SUCCESS OF THIS VENTURE WILL DEPEND ON GOI INITIATIVES.

C. SOCIAL INVESTMENT - THIS IS AN IMPORTANT INNOVATION WHEREBY FIAT WILL INVEST AN AMOUNT EQUIVALENT TO 0.8 PERCENT OF WAGES FOR COM-MUNITY
AND INTERURBAN TRANSPORT SYSTEMS WHICH CAN BE USED NOT ONLY BY FIAT WORKERS BUT COMMUNITY IN GENERAL. ANOTHER AMOUNT EQUAL TO 0.1 PERCENT OF
WAGES WILL GO TO SUPPORT COMMUNITY NURSERY SHCOOLS TO WHICH FIAT EMPLOYEES (12 PERCENT WOMEN) CAN SEND CHILDREN. FIAT AT FIRST BALKED AT

THESE DISGUISED "TAXATION" MEASURES, BUT ACCORDING UNION SOURCES FINALLY AGREED WITH UNION THAT THEY WERE EFFICACIOUS MEANS TO PROD LOCAL GOVERNMENTS INTO ACTION ON THESE TWO PROBLEMS WHICH CASUE SOCIAL UNREST.

D. JOB ENRICHMENT AND ORGANIZATION - FIAT AGREES TO INVEST UP TO 10 BILLION LIRE/YEAR (APPROX. US$15,400,000) FOR IMPROVE-MENTS PRIMARILY AFFECTING WORKING CONDITIONS AND CLIMATE. COMPANY AND UNIONS WILL JOINTLY DETERMINE WHERE INVESTMENTS ARE NEEDED. COMPANY AND UNIONS ALSO AGREED TO CONTINUE EXPERIMENT IN NEW PLANTS WHEREBY "ISLANDS" ARE SUBSTITUTED FOR ASSEMBLY LINE OPERATIONS. PERIODIC JOINT EVALUATION OF THIS EXPERIENCE WILL TAKE PLACE.

4. COMMENT: THE AGREEMENT CAME CLOSE TO MAXIMUM UNION DEMANDS. FIAT MANAGING DIRECTOR UMBERTO AGNELLI CHARGED THAT LABOR MINISTER BERTOLDI

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WHO CALLED IN TO MEDIATE DISPUTE INSTEAD IMPOSED POLITICAL SETTLE-MENT ON FIAT. BERTOLDI WOULD APPEAR IN THIS CASE TO HAVE GONE BEYOND SIMPLE MEDIATORY ROLE IN LABOR/MANAGEMENT PROBLEMS WHICH HE DESCRIBED FOR HIMSELF IN JANUARY DISCUSSION WITH AMBASSADOR (SEE A-038). OF COURSE WITH LABOR UNREST INCREASING AND NEW GOVERN-MENT IN FORMATION POLITICAL STAKES WERE HIGH.

5. AGNELLI IN DISCUSSING SETTLEMENT SAID HE ACCEDED TO "ARBITRATION"

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IN INTEREST OF LABOR PEACE EVEN THOUGH COST - 100 BILLION LIRE/YR. (US$154,000,000) ESTIMATE - IS BEYOND FIAT CAPACITY TO PAY. AGNELLI HAS CALLED URGENT BOARD OF DIRECTORS MEETING TO CONSIDER HIS RESIGNATION (IT IS ASSUMED IT WILL BE REJECTED) AND DISCUSS FUTURE. FIAT, EXPECTED TO SHOW A LOSS FOR 1973 OPERATIONS AND CONFRONTING A DROP IN DEMAND HOWEVER TEMPORARY OF OVER 30 PERCENT, IS LIKELY TO DEPEND ON

SOME KIND OF GOVERNMENT SUBSIDY TO MAINTAIN HEALTH. RESIGNATION PLOY MAY BE MEANS OF DRAMATIZING SITUATION IN HOPES TO GAINING GOI COMMITMENT TO DIRECT FUNDS TO PURCHASE PUBLIC TRANSPORT VEHICLES MADE BY FIAT. HERE UNIONS JOIN COMPANY IN ATTEMPT TO PRESSURE GOI INTO FORMULATING RATIONAL PUBLIC TRANSPORT POLICY. WHILE CONCEDING TO UNION POLITICAL DEMANDS FOR INVESTMENT IN SOUTH AND SOCIAL IMPROVEMENTS FIAT MADE IT CLEAR THAT IT EXPECTED GOI TO SHOULDER MUCH OF BURDEN.

6. UNIONS GENERALLY SATISFIED WITH AGREEMENT AND SHOULD HAVE NO TROUBLE GAINING RANK AND FILE APPROVAL. FAVORABLE "POLITICAL" AGREEMENT ALSO SHOULD ENABLE UNIONS TO SUPPRESS NEWLY EMERGENT EXTRA-PARLIAMENTARY GROUPS WHICH HAD BEGUN TO EXPLOIT WORKER UNREST CAUSED BY CURRENT INFLATION. SPORADIC EFFORTS THESE MILITANT LEFT WING GROUPS TO RALLY WORKERS IN OPPOSITION TO AGREEMENT NOW SEEMS DOOMED TO FAILURE. IN UNION VIEW ACCORD ALSO DEMONSTRATES SUCCESSFUL USE OF STRIKE LEVER TO ACHIEVE BROAD SOCIAL GAINS BEYOND FACTORY GATES. UNIONS IN SOME SENSE ATTEMPTING FILL ITALIAN POLITICAL VACUUM.

7. FIAT AGREEMENT IS IMPORTANT FOR GOI WHICH HOPES FOR RAPID SETTLEMENT OF OTHER INDUSTRIAL NEGOTIATIONS IN ORDER TO BUY PERIOD OF LABOR PEACE. PERHAPS INCIDENTALLY AGNELLI VIEWS HELP INSULATE GOI FROM ANY CRITICISM ON LEFT. IN SEVERAL DAYS SINCE FIAT AGREEMENT MASSIVE MONTEDISON 100,000 EMPLOYEE CHEMICAL CONCERN HAS REACHED SETTLEMENT WITH UNIONS ALONG LINES OF FIAT CONTRACT, I.E., ROUGHLY 20,000 LIRE/MONTH, INVESTMENT IN SOUTH PRODUCING 10,000 NEW JOBS AND LIMITED OFFICIAL USE

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SOCIAL INVESTMENTS. WITH FIAT ACCORD AS A MODEL THE PRICE OF INDUSTRIAL PEACE IN 1974 WILL BE CONSIDERABLE. VOLPE

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